

Message Text

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14

ACTION OPIC-06

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R 231140Z SEP 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 1039

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E.O. 11652: NA

TAGS: EINV, ET

SUBJECT: EXPROPRIATED US PROPERTY IN ETHIOPIA

REF: (A) STATE 231867, (B) ADDIS 9854, (C) STATE 204637

(D) ADDIS 7654, (E) ADDIS 14536

1. EMBASSY APPRECIATES DEPARTMENT CONCURRENCE CONTINUED REF A TO CHANGE, PROPOSED IN PARAGRAPH 1 (A) OF REF B.

2. EMBASSY CONCURS IN DEPARTMENT'S SUGGESTION CONTAINED PARA.2 REF A TO OMIT QUOTE AS SOON AS THEY ARE AVAILABLE UNQUOTE FROM OUR PROPOSED TEXT SUBMITTED REF B.

3. WHILE WE UNDERSTAND THE DEPARTMENT'S OBJECTIVES, WE CONTINUE TO BELIEVE THAT THE THIRD PARAGRAPH OF THE PROPOSED NOTE IN REF C WOULD BE COUNTERPRODUCTIVE FOR THE FOLLOWING REASONS: (A) THE ONLY "CLARIFICATION OF STATUS" OF THESE FIRMS WHOSE STATUS IS "UNCLEAR" IS THE PERCENTAGE OF THE OWNERSHIP OVER A MAJORITY THE EPMG WILL TAKE. THAT THEY HAVE BEEN NATIONALIZED AT LEAST OVER 50PERCENT IS NOT IN DOUBT.

(B) THE CASE OF MOBIL AND OTHER PETROLEUM COMPANIES WHICH WERE DENATIONALIZED WAS A UNIQUE DECISION ON THE PART OF THE EPMG OWING TO THE SPECIAL REQUIREMENTS OF THE PETROLEUM INDUSTRY (REF E) WHICH DO NOT APPLY TO OTHER AFFECTED AMERICAN FIRMS. THE EMBASSY, IS, THEREFORE CONVINCED THAT PARAGRAPH THREE OF THE PROPOSED NOTE WOULD NEEDLESSLY ANTAGONIZE THE EPMG AND OPEN US UP

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TO THE CHARGE THAT WE ARE NOT FOLLOWING USG POLICY ON NATIONALIZATION

PREVIOUSLY CONVEYED TO THE EPMG, TO WIT ACCEPTANCE OF THE RIGHT OF SOVEREIGN GOVERNMENTS TO NATIONALIZE BUSINESSES AND OTHER ACTIVITIES UNDER THEIR JURISDICTION AS LONG AS DONE IN NON-DISCRIMINATORY FASHION FOR A PUBLIC PURPOSE SUBJECT TO THE PAYMENT OF PROMPT, FAIR AND ADEQUATE COMPENSATION. IN SUM, WE STRONGLY URGE THAT DEPT. RECONSIDER INCLUSION OF PROPOSED PARA THREE SINCE IN OUR VIEW EPMG HAS CLEARLY TAKEN MAJORITY OWNERSHIP OF AFFECTED FIRMS AND HAS NO INTENTION OF REVERSING THIS DECISION.

4. THERE ARE NO POLICY MAKING REPRESENTATIVES OF ANY OF THE FORMER OWNERS OF AFFECTED FIRMS STILL PRESENT IN ETHIOPIA. AXUM AIR HAS MERGED INTO A NEW GOVERNMENT LIGHT AIRCRAFT COMPANY, ADMAS AIR, AND AMERICAN OWNER CLYDE ADAMS LEFT ETHIOPIA SOME MONTHS AGO. ETHIOPIAN AMERICAN LIFE INSURANCE COMPANY (EALIC) HAS BEEN COMPLETELY MERGED INTO THE NEW GOVERNMENT-OWNED ETHIOPIAN INSURANCE CORP. AND THE FORMER ETHIOPIAN EMPLOYEES OF EALIC ARE NOW GOVERNMENT EMPLOYEES WITH NO RELATIONSHIP TO AMERICAN LIFE. THE LAST EXPATRIATE GENERAL MANAGER OF STERLING DRUG LEFT ETHIOPIA IN AUGUST. HE HAS BEEN REPLACED BY ONE OF STERLING'S LOCAL EMPLOYEES WHO WAS PROMOTED TO GM BUT THE NEW MAN HAS ONLY VERY LIMITED RESPONSIBILITIES DELEGATED FROM THE NAIROBI REGIONAL OFFICE. THE NORWEGIAN MANAGER OF MOSVOLD DEPARTED ETHIOPIA LAST WEEK LEAVING THAT FIRM UNREPRESENTED. THE SWISS GENERAL MANAGER OF CROWN CORK DID NOT RETURN TO ETHIOPIA FOLLOWING HIS SUMMER VACATION AND HE HAS BEEN REPLACED BY HIS DEPUTY WHO HAD BEEN APPOINTED BY THE EPMG OVER CROWN CORK'S OBJECTIONS. THE ETHIOPIAN SPICE EMPLOYEES WITH ANY CONNECTION WITH THE AMERICAN OWNERS HAVE LEFT AND BEEN REPLACED BY NEW MANAGERS APPOINTED BY THE EPMG. THE ONLY AFFECTED FIRM WITH AN EXPATRIATE MANAGER IS ELIDCO IN WHICH AMERICAN INTERESTS HOLD A MINORITY SHARE IN A BASICALLY GERMAN INVESTMENT. HOWEVER, THE GERMAN GM HAS HAD NO CONTACT WITH THE AMERICAN INVESTORS FOR NEARLY ONE YEAR. OTHER AMERICAN OWNERS OF NATIONALIZED INTERESTS ARE SIMILARLY UNREPRESENTED IN ETHIOPIA. THUS EMBASSY OPPORTUNITIES FOR OBTAINING VIEWS ARE LIMITED TO CORRESPONDANCE AND AN OCCASIONAL VISIT FROM A REGIONAL OFFICER. WE WILL CONTINUE TO CONSULT WITH THESE FIRMS TO THE BEST OF OUR ABILITY BUT THE DEPARTMENT SHOULD BE AWARE OF OUR LIMITATIONS. IN FACT THE DEPARTMENT MAY WELL BE IN A BETTER LIMITED OFFICIAL USE

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POSITION TO SOLICIT VIEWS OF FIRMS AS IN THE CASE OF CROWN CORK.
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